



Los Angeles County
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August 8, 2008

TO: Each Supervisor

FROM: John F. Schunhoff, Ph.D.
Interim Director

SUBJECT: **UPDATE ON DEPARTMENT OF HEALTH SERVICES'
FORECAST IN FISCAL YEARS 2008-09 AND 2009-10**

The Budget Committee of the Whole report was originally scheduled to be presented on August 12th, 2008. Because the Department does not have final closing numbers for FY 2007-08, and does not know the outcome of the State budget, the Budget Committee report has been continued to the next scheduled date of September 16, 2008.

The August 12, 2008, Board agenda includes the Department of Health Services' (DHS) request for an adjustment to the Measure B Trauma, Emergency, and Bioterrorism Response property assessment rate. This is to provide financial information in advance of your consideration of that request.

The attached schedule provides our current estimate of the shortfalls anticipated for Fiscal Years (FY) 2008-09 and 2009-10. The shortfalls are \$(93.7) million for FY 2008-09 and \$(484.9) million for FY 2009-10.

The Department is estimating that the Measure B rate increase, if approved by your Board, will generate approximately \$45.2 million in additional critically needed revenue. During the supplemental changes phase of the FY 2008-09 budget process, the Department will recommend an estimated \$36.8 million allocation to DHS and \$7.7 million to the non-County trauma hospitals to partially offset their respective unreimbursed costs for indigent trauma and emergency services, and \$0.7 million for the Department of Public Health for bioterrorism activities. The non-County trauma hospitals would also receive additional matching Federal funds of \$7.4 million. Your Board will determine the final allocations during the supplemental budget process.

Approval of the Measure B rate increase will help to reduce the unreimbursed costs for emergency and trauma services at both the public and private hospitals.

Each Supervisor
August 8, 2008
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If you have any questions or need additional information, please let me know.

JFS:aw (CARA/MEASURE B MEMO 08808)

Attachment

c: Chief Executive Officer
County Counsel
Executive Officer, Board of Supervisors

COUNTY OF LOS ANGELES - DEPARTMENT OF HEALTH SERVICES
FISCAL YEARS (FY) 2008-09 AND 2009-10 FUND BALANCES/(SHORTFALLS)

AS OF 8/1/08
(\$ IN MILLIONS)

	FY 08-09 ^(a)	FY 09-10 ^(b)
(1) Estimated <u>Cumulative</u> Year-End Fund Balances/(Shortfalls) - per 6/17/08 Fiscal Outlook	\$ (213.5)	\$ (589.6)
(2) Adjustments to reconcile to FY 08-09 Board Adopted Budget	81.4	9.1
(3) CEO's one-time adjustment to VLF and Sales Tax for FY 07-08	(7.1)	-
(4) Adjust CBRC revenues (hospital only) to include "crossover" patients with dual eligibility on Medicare and Medi-Cal programs ^(c)	96.4	24.5
(5) Other adjustments ^(d)	11.5	(4.9)
(6) Forecast improvement/(reduction) roll-forward	-	182.2
(7) Revised Estimated <u>Cumulative</u> Year-End Fund Balances/(Shortfalls) - 8/1/08	\$ (31.3)	\$ (378.7)
Potential Issues		
(8) FY 07-08 Medi-Cal Redesign revenues (one-time adjustment; pending DHS' analysis of public hospitals' data)	(18.6)	-
(9) Medical School Agreements (USC and UCLA currently under negotiations)	(14.1)	(14.1)
(10) Proposed State Budget ^(e)	(24.4)	(24.4)
(11) CHIP revenue loss up to \$5.3 million (per Governor's May Revised Budget as of 5/14/08)	(5.3)	(5.3)
(12) Forecast improvement/(reduction) roll-forward	-	(62.4)
(13) Revised Estimated <u>Cumulative</u> Year-End Fund Balances/(Shortfalls) - after Potential Issues	\$ (93.7)	\$ (484.9)

Notes

- (a) Pending implementation of HMA staffing recommendations for MLK MACC.
(b) Assume that MLK MACC is converted back to a 120-bed (108 ADC) public hospital on January 1, 2010.
(c) Expect to receive CMS' final approval in September 2008. Of the \$96.4 million in FY 08-09, \$72.8 million represents retroactive payments for FYs 05-06 through 07-08, and \$23.6 million is ongoing.
(d) Reflect DHS recommended adjustments pending CEO's review and approval.
(e) Reflect estimated financial impact to the County for the following State issues:

Reallocation of County funding (\$ in millions) to fund various State programs

- Federal Safety Net Care Pool	\$ 14.4
- South Los Angeles Preservation Fund	10.0
Total impact	<u>\$ 24.4</u>